



Amerigroup
RealSolutions[®]
in healthcare

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Basic Health Program – Giving States the Option to
Expand Health Insurance Coverage Beyond Medicaid

Agenda

An Overview of the Company

- Who We Are, What We Do and How We Make a Difference

The Basic Health Program

- Optional Program to Expand Health Insurance Coverage

A Different Kind of Managed Care Company

Business

Serve State and Federal Governments

Deliver medical cost trends below un-managed, fee-for-service Medicaid programs

Target modest levels of profitability: 2.5 to 3.5% after taxes



Social

Make the health care system work better for those who lack access

Improve health outcomes of our members

Help people with disabilities and seniors live independent and more dignified lives built upon personal choice



Corporate Profile

- Founded in 1994
- Medicaid Contracts with 11 states
- 1.9 million members
- Annualized revenue of \$6B
- NYSE: AGP
- YTD Stock increased \$15.87 or 53% to \$42.83.
- Market cap \$2.2B
- 4,200 employees



Amerigroup in Virginia

Amerigroup Virginia has provided a full range of physical and behavioral health services to Virginians since 2005. We serve more than 38,000 members in the TANF, CHIP, Medallion II and FAMIS programs in 14 cities and counties across northern Virginia.

- We employ 1,819 associates who live in the state, including 137 doctors, nurses and social workers
- Amerigroup Virginia network includes 3,864 providers and 17 hospitals
- We cover 2,670 surgeries annually
- 263,700 prescriptions are filled each year



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The State To-Do List

“The to-do list for states as they implement health reform is very long.”

– Alan Weil and Raymond Sheppach

- ✓ **Medicaid Eligibility Rules**
States must create a new eligibility category within Medicaid that reaches everyone with incomes below 133 percent of the Federal Poverty Level.
- ✓ **Insurance Regulations**
States must modify how they regulate the small-group and individual insurance markets in line with the new Patients’ Bill of Rights.
- ✓ **Insurance Exchanges**
States must decide whether or not to establish insurance exchanges—one for small businesses and another that will serve as the exclusive vehicle for providing subsidized insurance coverage to select individuals and families.
- ✓ **Other State Responsibilities**

Source: *Health Affairs* 29, 6: 1178, June 2010

The Significance of Health Reform

“Today after almost a century of trying, today after over a year of debate... health insurance reform becomes law in the United States of America.”

– President Barack H. Obama

- Goals: expand coverage; slow rise of costs; improve quality of care
- Reform dramatically affects every aspect of health care
- Accelerates and intensifies the trend toward an increasing role for public payers – 1 in 4 Americans on Medicaid by 2019
- Heightens focus on quality, clinical effectiveness and compliance
- Momentum for integrated and managed long-term care programs
- Commercial insurers will face significant new regulation

Basic Health in Washington State

- Created in 1987 as a pilot project to provide access to health insurance for low-income residents
- First of its kind program to help eligible residents purchase health insurance through state subsidies, the federal Health Coverage Tax Credit (HCTC) and in partnership with the private sector
- Pilot's early success led the State to make it permanent in 1993
- Between 1999 and 2009, served more than 476,000 members
- Administered by the Washington State Health Care Authority
- Members pay a monthly premium based on age, income, number of people in the family, health plan selected, and where the applicant resides

Source: Washington State Health Care Authority, "Basic Health™ 2009 Annual Report," Feb. 2010



The Finances Behind Washington State BH

- Health Coverage Tax Credit is a federal tax credit administered by the Internal Revenue Service that pays 80 percent of the health plan premium for eligible individuals and families
- Washington State appropriates funds to cover the remaining costs for a predetermined program population
- Premium costs split three ways:
 1. Program beneficiaries pay a share of their premium
 2. Sponsor organization pays another portion; and,
 3. State covers all remaining costs
- Facing increasingly challenging fiscal outlook, the State applied a 43 percent budget cut to the program for SFYs 2009 through 2011

Source: Washington State Health Care Authority, "Basic Health™ 2009 Annual Report," Feb. 2010

A New Option for States

- Allows states to provide a unique coverage option for certain low-income individuals
- Pools a share of the federal premium and cost sharing subsidies to establish a non-Medicaid, state-based health care program with coverage options offered by private insurers
- Program targets nonelderly individuals with incomes between benchmark eligibility for Medicaid and 200 percent of FPL
- Transfers 95 percent of participants' expected premium and cost sharing subsidies to a State trust fund
- States may opt to run this program individually, or through regional compacts



Benefits of a Basic Health Program

- Improves transition and reduces administrative burden in cases of individuals frequently crossing back and forth over the Medicaid-eligibility line
- Program would be paid, on the whole, by the federal government via a transfer of 95 percent of participants' expected federal subsidies; this results in enhanced federal funding to the states
- Recognizes shared characteristics of this population: primary care physicians, hospital access, work demands and family support
- Allows states to retain the ability to develop program benefits for and certify participating standard health plans
- Cost sharing is permitted up to certain levels and other forms of personal responsibility may also be imposed

Road to Health Care Reform

Law

Implementation

Regulation

In Summary

- Medicaid expenditures will continue to grow and limit the ability of state governments to address other important services
- Economic pressures create opportunities for the private sector to promote innovative solutions to modern health care challenges
- **As a way to limit possible churning, promote health insurance coverage and work to reduce state program spending, the Basic Health program is a promising new option for states**
- **Basic Health also would bring new federal funding to Virginia**
- Virginia should look carefully at this new option as part of their strategic health reform implementation efforts

